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**Date:** 10/31/2016

**GAIN Report Number:** TH6124

## Thailand

### Grain and Feed Update

**October 2016**

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**Report Highlights:**

Rice prices have trended downward as MY2016/17 main-crop rice supplies have begun to enter the market. The MY2016/17 off-season rice production is likely to recover as reservoir volumes are well above critical levels. Anticipated bumper supplies together with large government stocks will challenge the Thai government's efforts to stabilize domestic prices.

**Post:**

Bangkok

**Executive Summary:**

Reservoir volumes increased significantly to 9.2 billion cubic meters in October 2016 due to heavy precipitation during the rainy season. Post's forecast for MY2016/17 rice production remains unchanged from the previous forecast of 18.6 million metric tons which is an 18 percent increase from the MY2015/16 forecast in anticipation of a recovery in MY2016/17 off-season rice production. The government recently increased the MY2016/17 off-season rice acreage target for irrigated areas as reservoir volumes are well above critical levels.

Rice export prices are under downward pressure as supplies of new-crop rice have begun to enter the market. Also, new foreign demand for large-volume shipments remains low despite having recently agreed to the first shipment under the government-to-government agreement with China. Post forecasts exports at 9 million metric tons in 2016, but rising to 10 million metric tons in 2017.

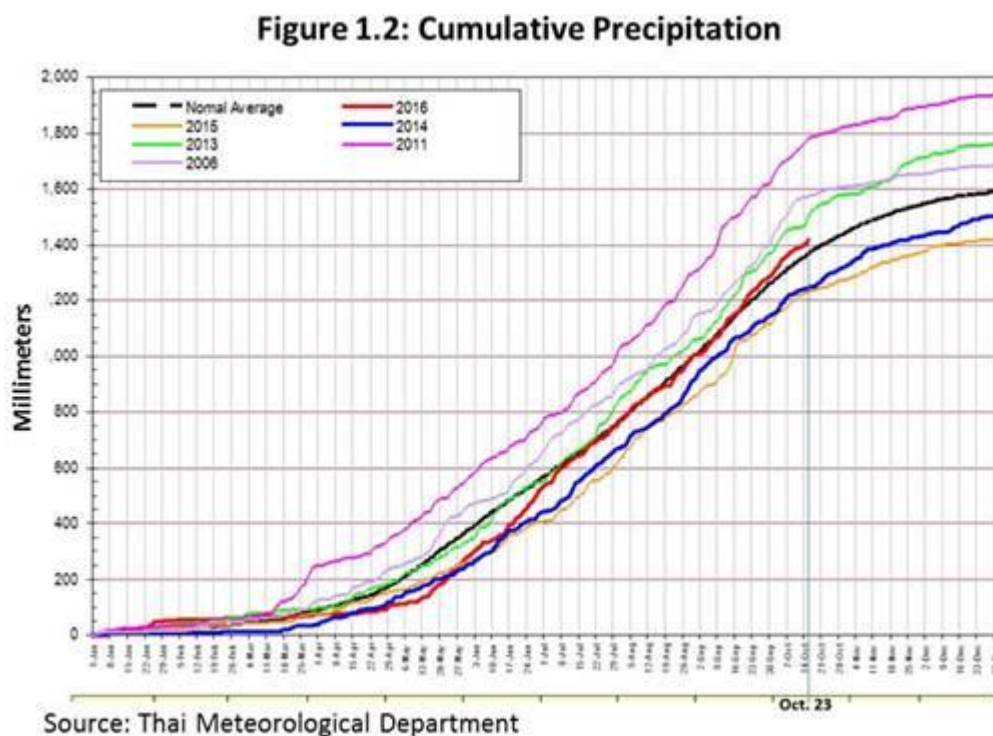
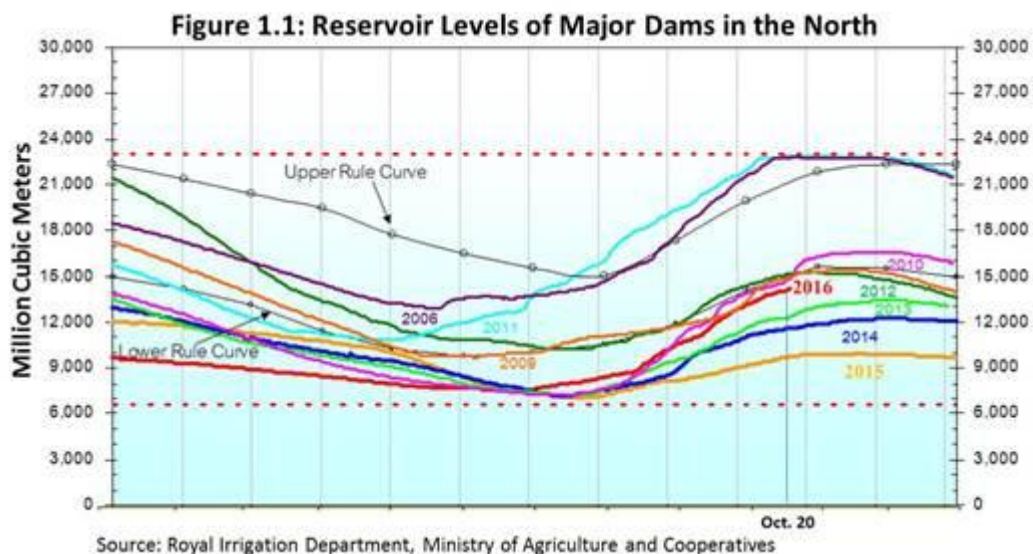
The government increased the intervention prices for fragrant rice paddy under the On-Farm Pledging Program and provided an additional direct payment to help farmers affected by the fluctuation of fragrant rice prices during the peak harvest.

Post's forecast for corn and wheat supply and demand remains unchanged from the previous forecast.

**1. Rice Crop Update**

According to the Royal Irrigation Department's (RID) crop progress report on October 19, 2016, MY2016/17 main-crop rice planting in irrigated area declined 6.5 percent from MY2015/16 as the RID did not supply water for main-crop rice planting in order to reserve water for household consumption during May – July 2016. Although the RID began to supply water for rice planting on August 1, 2016, farmers in some areas did not grow rice due to concerns about seasonal floods, particularly in the lower central plains which are flood retention areas for overflowing rivers to prevent flooding in Bangkok. The Ministry of Agriculture and Cooperatives (MOAC) reported that flood damage totaled 152,611 rai (24,418 hectares) between August 27 and October 12, 2016, of which around 110,678 rai (17,708 hectares) were rice crop, accounting for less than one percent of total planted area. Presently, around 20 percent of MY2016/17 main-crop white rice in irrigated areas has been harvested. The majority of white rice supplies will enter the market in November 2016 due to planting delays caused by RID's irrigation restrictions. As a result, domestic rice prices are under downward pressure. Farm-gate prices of white rice paddy are at 7,500 – 7,800 baht per metric tons (214-223 USD/MT) which is a 3-4 percent decline from the previous month.

The RID reported on October 26, 2016, that water supplies in major reservoirs in the northern region increased to 9.2 billion cubic meters, up significantly from 4.2 billion cubic meters last year (Figure 1.1). The increase in reservoir levels is the result of normal monsoon weather in 2016 compared to the past two years of below-normal monsoons. According to the Thai Meteorological Department, cumulative precipitation in October 2016 increased approximately 16 percent from the same period last year (Figure 1.2).



Post's forecast for MY2016/17 rice production remains unchanged from the previous forecast of 18.6 million metric tons (Table 1 and Table 2). This is an 18 percent increase from MY2015/16 forecast in anticipation of a recovery in MY2016/17 off-season rice production (TH6110 – Grain and Feed Update, September 2016). The MOAC announced that it will supply water for off-season rice planting in irrigated areas in the lower northern region and the central plains due to significant increases in reservoir volumes. The RID's water supply target for MY2016/17 off-season rice is approximately 4 million rai (0.6 million hectares) in irrigated areas, a significant increase from the 1 million rai (0.2 million hectares) irrigated in the MY2015/16 when reservoirs were critically low. In MY2015/16, despite the

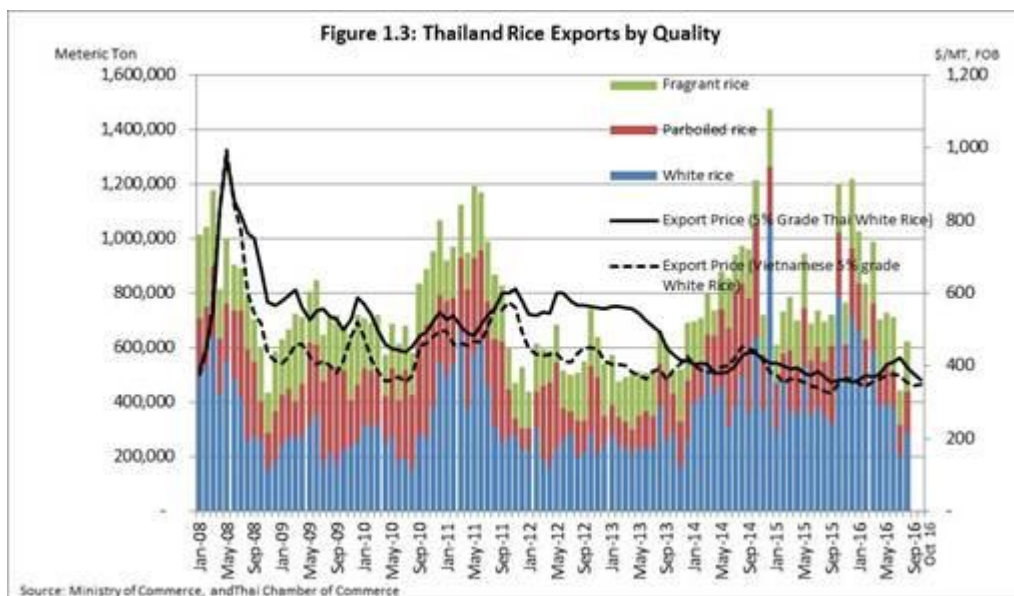
low supply of water, actual harvested areas totaled around 3.6 million rai (0.6 million hectares). Post expects off-season irrigated rice area to increase to around 7.6 million rai (1.2 million hectares) due to sufficient water supplies similar to MY2014/15 (Table 3). In addition, off-season rice in non-irrigated areas is likely to recover to around 4.3 million rai (0.7 million hectares).

## **2. Rice Exports Up Slightly in September 2016**

According to the Ministry of Commerce, Thai rice exports increased to 0.8 million metric tons in September 2016, up 10 percent from the same period last year. Rice exports during January – September 2016 totaled approximately 6.9 million metric tons, which is about a 4 percent increase from the same period last year due mainly to a 10-20 percent increase in white and fragrant rice exports. The increase in white rice exports is driven by sales of government stocks. Meanwhile, exports of parboiled rice declined approximately 20 percent from the same period last year due to tight supplies of new-crop rice for parboiled rice production.

The increase in Thai rice exports in September is the result of competitive Thai rice prices, particularly for white rice as the government sold around 0.8 million metric tons of rice stocks. Export prices of 5% grade white rice declined to 377 USD/MT (FOB), down approximately 6 percent from around 400 USD/MT in August 2016. The government reported that it is holding rice stocks of 8.4 million metric tons, half of which are food-grade rice and the other half is non-food grade rice. However, the government will suspend sales of rice stocks until the new-crop white rice harvest finishes.

In October 2016, export prices of 5 percent grade white rice further declined to about the same levels as in January 2016 at 360 USD/MT. This is a significant price drop compared to July when domestic rice supplies were tight (Figure 1.3). The lower prices reflect the availability of new-crop rice which has begun to enter the market in October. Meanwhile, new foreign demand for large-volume shipments is reportedly low or limited only to the government-to-government agreement with China. This is the first shipment of the agreed upon two million metric tons in the December 2015 government-to-government agreement between Thailand and China. Under this first shipment, 100,000 metric tons of 5% grade new-crop white rice will be shipped to China between October 25 and November 22, 2016. The FOB prices were finalized at 394 USD/MT for 50 kilogram package and 399 USD/MT for 25 kilogram package. The government allocated the shipment tonnage to private rice exporters as the government does not hold stocks of new-crop rice.



Post forecast for rice exports in 2016 is 9 million metric tons. This is an 8 percent reduction from last year's exports of 9.8 million metric tons. Thai rice exports in the last quarter of 2016 are expected to be steady at around 700,000 – 750,000 metric tons, compared to an average monthly exports of approximately 760,000 metric tons in the first nine months, as the government has suspended sales of rice stocks during September – December 2016 to help stabilize domestic prices during the peak harvest.

In 2017, rice exports are likely to increase to 10 million metric tons, up 10 percent from 2016. This is mainly due to the recovery of the off-season rice production that will boost parboiled rice exports. Parboiled rice exports declined in 2016 due to limited tight supplies of white rice for parboiled rice production. Also, the government is planning to sell off much of its outstanding food-grade rice stocks of around 5 million metric tons in 2017. This will accelerate white rice export growth in 2017, particularly to African countries as old-crop rice prices are much cheaper than new-crop rice.

### 3. Rice Consumption

MY2016/17 rice consumption is forecast to increase to 11.5 million metric tons, up 21 percent from MY2015/16, in anticipation of a recovery in demand for broken rice for swine feed and ethanol. The government is expected to sell a portion of its non-food grade rice stocks of 3 million metric tons for industrial use in 2017. The demand for broken rice in swine feed is expected to recover to approximately 1.5 million metric tons due to relatively cheaper prices of old-crop broken rice from the government stocks. In addition, ethanol industries will likely use 1 million metric tons of non-food grade rice stocks to replace imported cassava from neighboring countries.

### 4. Policy Update

On October 11, 2016 the cabinet agreed to increase incentives to farmers and millers/traders to stockpile MY2016/17 main-crop rice during the peak harvest period of November – December 2016. The goal of this program is to keep approximately half of the newly harvested fragrant and white rice off the market in order to stabilize domestic prices through the On-Farm Rice Pledging Program for fragrant and glutinous rice farmers and the Interest-Rate Subsidy Program for rice millers/traders. The On-Farm

Rice Pledging Program aims to keep two million metric tons of fragrant rice paddy off the market until the harvest is completed in the northeastern region. Based on the cabinet approval on November 1, 2016, farmers participating in the pledging program, which will be operated by the Bank for Agriculture and Agricultural Cooperatives (BAAC), will receive 9,500 baht per metric ton (271 USD/MT) for pledged fragrant rice paddy. This intervention price is 86 percent of current average market price for fragrant rice paddy of 11,000 baht per metric ton (314 USD/MT). In addition, participating farmers will immediately receive 1,000 baht per metric ton (29 USD/MT) for the storage costs as opposed to previously when they had to wait until the rice paddy was redeemed or sold on the market to receive any money. They will receive the final 500 baht per metric ton (14 USD /MT) when the rice paddy is redeemed or sold on the market. Additionally, farmers will receive a direct payment of 2,000 baht per metric ton (57 USD/MT) for the harvest and postharvest handling costs. Taking the storage costs and the direct payment into account, farmers who participate in the pledging program will receive 13,000 baht per metric ton (371 USD/MT) for pledged fragrant rice. Meanwhile, farmers who do not participate in the pledging program will also receive the direct payment of 2,000 baht per metric ton (57 USD/MT).

The Interest-Rate Subsidy Program aims to keep around 10 million metric tons of milled rice off the market from November 1, 2016 to March 31, 2017. Participating rice millers/traders including farmer institutions will receive a 4 percent interest rate subsidy for 4-6 months of storage as opposed to the earlier announced 3 percent interest rate subsidy. The Ministry of Commerce reported that around 300-350 millers are participating in the program which accounts for around one-third of total rice mills.

In addition to the above measures to stabilize domestic prices of MY2016/17 main-crop rice, the MOAC plans to join forces with private associations including the Thai Feed Mills Association and the Thai Seed Trade Association as well as the BAAC to encourage farmers in irrigated areas to shift from MY2016/17 off-season rice production to corn production. The MOAC plans to target farm mostly located in the northern and northeastern regions totaling around 2 million rai (0.3 million hectares). The goal is to reduce the excess supplies of off-season rice by 1.25 million metric tons and to increase corn production by 1.4 million metric tons. Feed mills will have to guarantee a farm-gate price of 8 baht per kilogram (229 USD/MT) which is approximately 16 percent above current price levels. Also, farmers who are willing to participate in this program will be eligible for a 4,000 baht loan per rai (714 USD/hectare) from the BAAC. This project is part of a plan to reduce import demand for feed wheat which has increased significantly during past years. However, the details of this program have yet to be finalized.

## Appendix Tables

**Table 1: Thailand's Rice Production, Supply and Demand**

Rice, Milled Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2017	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10270	10643	9444	9444	10080	10083
Beginning Stocks	11999	11999	10770	11307	7870	8907
Milled Production	18750	19404	15800	15800	18600	18600
Rough Production	28409	29400	23939	23939	28182	28182
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600



MY Imports	300	300	300	300	250	300
TY Imports	300	300	300	300	250	300
TY Imp. from U.S.	3	0	0	0	0	0
Total Supply	31049	31703	26870	27407	26720	27807
MY Exports	9779	9796	9200	9000	9500	10000
TY Exports	9779	9796	9200	9000	9500	10000
Consumption and Residual	10500	10600	9800	9500	10600	11500
Ending Stocks	10770	11307	7870	8907	6620	6307
Total Distribution	31049	31703	26870	27407	26720	27807
(1000 HA) ,(1000 MT)						

Table 2: Thailand's Rice Paddy Area, Production, and Yield

	2014/15			2015/16			2016/17		
				(October 2016 Forecast)			(October 2016 Forecast)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area									
(Million Hectares)									
Cultivation	9.288	1.940	11.228	9.096	1.055	10.151	8.745	1.900	10.645
Harvest	8.900	1.743	10.643	8.709	0.735	9.444	8.373	1.710	10.083
Production									
(Million Tons)									
Rough	22.000	7.400	29.400	20.973	2.966	23.939	20.909	7.273	28.182
Rice	14.520	4.884	19.404	13.842	1.958	15.800	13.800	4.800	18.600
Yield	2.472	4.245	2.762	2.408	4.035	2.535	2.497	4.253	2.795
(Ton/Hectare)									

Source: FAS Estimate

Table 3: Off-Season Rice Areas

Unit: million hectares

	MY2013/14	MY2014/15	MY2015/16	MY2016/17
			(October 2016 Forecast)	(October 2016 Forecast)
Irrigated Areas	1.30	1.25	0.74	1.21
Non-Irrigated Areas	0.80	0.69	0.32	0.69
Total Planted Areas	2.10	1.94	1.06	1.90
Harvested area	2.00	1.74	0.74	1.71

Source: FAS Estimate (October 2016) and the Royal Irrigation Department